

114TH CONGRESS
1ST SESSION

H. R. 2907

To amend the Internal Revenue Code of 1986 to reinstate estate and generation-skipping taxes, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 25, 2015

Ms. SCHAKOWSKY (for herself and Mr. ELLISON) introduced the following bill;
which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to reinstate estate and generation-skipping taxes, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the “Responsible Estate
5 Tax Act”.

6 SEC. 2. MODIFICATIONS TO ESTATE, GIFT, AND GENERA-

7 TION-SKIPPING TRANSFER TAXES.

8 (a) MODIFICATION OF RATES.—

| | |
|---|--|
| "Over \$750,000 but not over \$3,500,000 | \$248,300 plus 39 percent of the excess of such amount over \$750,000. |
| Over \$3,500,000 but not over \$10,000,000 | \$1,320,800 plus 45 percent of the excess of such amount over \$3,500,000. |
| Over \$10,000,000 but not over \$50,000,000 | \$4,245,800 plus 50 percent of the excess of such amount over \$10,000,000. |
| Over \$50,000,000 | \$24,245,800 plus 55 percent of the excess of such amount over \$50,000,000.". |

(2) SURTAX ON WEALTHY ESTATES.—Section 2001(c) of such Code is amended—

(A) by inserting before the table the following:

8 “(1) IN GENERAL.—”, and

(B) by adding at the end the following new paragraph:

11 “(2) SURTAX ON ESTATES OVER \$500,000,000.—
12 Notwithstanding paragraph (1), if the amount with
13 respect to which the tentative tax to be computed is
14 over \$500,000,000, the rate of tax otherwise in ef-
15 fect under this subsection with respect to the
16 amount in excess of \$500,000,000 shall be increased
17 by 10 percent.”.

1 (b) EXCLUSION AMOUNT.—

2 (1) ESTATE TAX.—Section 2010(c)(3) of such
3 Code is amended to read as follows:

4 “(3) BASIC EXCLUSION AMOUNT.—For pur-
5 poses of this section, the basic exclusion amount is
6 \$3,500,000.”.

7 (2) MODIFICATION TO GIFT TAX EXCLUSION
8 AMOUNT.—Section 2505(a)(1) of such Code is
9 amended to read as follows:

10 “(1) the applicable credit amount in effect
11 under section 2010(c) for such calendar year (deter-
12 mined as if the basic exclusion amount in section
13 2010(c)(2)(A) were \$1,000,000), reduced by”.

14 (3) MODIFICATIONS OF ESTATE AND GIFT
15 TAXES TO REFLECT DIFFERENCES IN CREDIT RE-
16 SULTING FROM DIFFERENT EXCLUSION AMOUNTS.—

17 (A) ESTATE TAX ADJUSTMENT.—Section
18 2001 of such Code is amended by adding at the
19 end the following new subsection:

20 “(h) ADJUSTMENT TO REFLECT CHANGES IN EX-
21 CLUSION AMOUNT.—

22 “(1) IN GENERAL.—If, with respect to any gift
23 to which subsection (b)(2) applies, the applicable ex-
24 clusion amount in effect at the time of the dece-
25 dent’s death is less than such amount in effect at

1 the time such gift is made by the decedent, the
2 amount of tax computed under subsection (b) shall
3 be reduced by the amount of tax which would have
4 been payable under chapter 12 at the time of the
5 gift if the applicable exclusion amount in effect at
6 such time had been the applicable exclusion amount
7 in effect at the time of the decedent's death and the
8 modifications described in subsection (g) had been
9 applicable at the time of such gifts.

10 “(2) LIMITATION.—The aggregate amount of
11 gifts made in any calendar year to which the reduc-
12 tion under paragraph (1) applies shall not exceed
13 the excess of—

14 “(A) the applicable exclusion amount in ef-
15 fect for such calendar year, over

16 “(B) the applicable exclusion amount in ef-
17 fect at the time of the decedent's death.

18 “(3) APPLICABLE EXCLUSION AMOUNT.—The
19 term ‘applicable exclusion amount’ means, with re-
20 spect to any period, the amount determined under
21 section 2010(c) for such period, except that in the
22 case of any period for which such amount includes
23 the deceased spousal unused exclusion amount (as
24 defined in section 2010(c)(4)), such term shall mean

the basic exclusion amount (as defined under section
2010(c)(3), as in effect for such period).”.

(B) GIFT TAX ADJUSTMENT.—Section 2502 of such Code is amended by adding at the end the following new subsection:

6 “(d) ADJUSTMENT TO REFLECT CHANGES IN EX-
7 CLUSION AMOUNT.—

8 “(1) IN GENERAL.—If the taxpayer made a tax-
9 able gift in an applicable preceding calendar period,
10 the amount of tax computed under subsection (a)
11 shall be reduced by the amount of tax which would
12 have been payable under chapter 12 for such appli-
13 cable preceding calendar period if the applicable ex-
14 clusion amount in effect for such preceding calendar
15 period had been the applicable exclusion amount in
16 effect for the calendar year for which the tax is
17 being computed and the modifications described in
18 subsection (g) had been applicable for such pre-
19 ceding calendar period.

20 “(2) LIMITATION.—The aggregate amount of
21 gifts made in any applicable preceding calendar pe-
22 riod to which the reduction under paragraph (1) ap-
23 plies shall not exceed the excess of—

1 “(B) the applicable exclusion amount for
2 the calendar year for which the tax is being
3 computed.

4 “(3) APPLICABLE PRECEDING CALENDAR YEAR
5 PERIOD.—The term ‘applicable preceding calendar
6 year period’ means any preceding calendar year pe-
7 riod in which the applicable exclusion amount ex-
8 ceeded the applicable exclusion amount for the cal-
9 endar year for which the tax is being computed.

10 “(4) APPLICABLE EXCLUSION AMOUNT.—The
11 term ‘applicable exclusion amount’ means, with re-
12 spect to any period, the amount determined under
13 section 2010(c) for such period, except that in the
14 case of any period for which such amount includes
15 the deceased spousal unused exclusion amount (as
16 defined in section 2010(c)(4)), such term shall mean
17 the basic exclusion amount (as defined under section
18 2010(c)(3), as in effect for such period).”.

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to estates of decedents dying, and
21 generation-skipping transfers and gifts made, after De-
22 cember 31, 2015.

1 **SEC. 3. MODIFICATION OF RULES FOR VALUE OF CERTAIN**

2 **FARM, ETC., REAL PROPERTY.**

3 (a) IN GENERAL.—Section 2032A(a)(2) of the Inter-
4 nal Revenue Code of 1986 is amended by striking
5 “\$750,000” and inserting “\$3,000,000”.

6 (b) INFLATION ADJUSTMENT.—Section 2032A(a)(3)
7 of such Code is amended—

8 (1) by striking “1998” and inserting “2015”,
9 (2) by striking “\$750,000” and inserting
10 “\$3,000,000” in subparagraph (A), and
11 (3) by striking “calendar year 1997” and in-
12 serting “calendar year 2014” in subparagraph (B).

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to estates of decedents dying, and
15 gifts made, after December 31, 2015.

16 **SEC. 4. MODIFICATION OF ESTATE TAX RULES WITH RE-**

17 **SPECT TO LAND SUBJECT TO CONSERVATION**
18 **EASEMENTS.**

19 (a) MODIFICATION OF EXCLUSION LIMITATION.—
20 Section 2031(c)(1) of the Internal Revenue Code of 1986
21 is amended by striking all that follows subparagraph (A)
22 and inserting the following:

23 “(B) \$2,000,000.”.

24 (b) MODIFICATION OF APPLICABLE PERCENTAGE.—
25 Section 2031(c)(2) of such Code is amended by striking
26 “40 percent” and inserting “60 percent”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to estates of decedents dying, and
3 gifts made, after December 31, 2015.

4 SEC. 5. CONSISTENT BASIS REPORTING BETWEEN ESTATE
5 AND PERSON ACQUIRING PROPERTY FROM
6 DECEDENT.

7 (a) CONSISTENT USE OF BASIS.—

12 "(f) BASIS MUST BE CONSISTENT WITH ESTATE
13 TAX RETURN.—

14 “(1) IN GENERAL.—For purposes of this sec-
15 tion, the value used to determine the basis of any in-
16 terest in property in the hands of the person acquir-
17 ing such property shall not exceed the value of such
18 interest as finally determined for purposes of chap-
19 ter 11.

“(2) SPECIAL RULE WHERE NO FINAL DETERMINATION.—In any case in which the final value of property has not been determined under chapter 11 and there has been a statement furnished under section 6035(a), the value used to determine the basis of any interest in property in the hands of the per-

1 son acquiring such property shall not exceed the
2 amount reported on any statement furnished under
3 section 6035(a).

4 “(3) REGULATIONS.—The Secretary may by
5 regulations provide exceptions to the application of
6 this subsection.”.

7 (2) PROPERTY ACQUIRED BY GIFTS AND
8 TRANSFERS IN TRUST.—Section 1015 of such Code
9 is amended by adding at the end the following new
10 subsection:

11 “(f) BASIS MUST BE CONSISTENT GIFT TAX RE-
12 TURN.—

13 “(1) IN GENERAL.—For purposes of this sec-
14 tion, the value used to determine the basis of any in-
15 terest in property in the hands of the person acquir-
16 ing such property shall not exceed the value of such
17 interest as finally determined for purposes of chap-
18 ter 12.

19 “(2) SPECIAL RULE WHERE NO FINAL DETER-
20 MINATION.—In any case in which the final value of
21 property has not been determined under chapter 12
22 and there has been a statement furnished under sec-
23 tion 6035(b), the value used to determine the basis
24 of any interest in property in the hands of the per-
25 son acquiring such property shall not exceed the

amount reported on any statement furnished under section 6035(b).

3 “(3) REGULATIONS.—The Secretary may by
4 regulations provide exceptions to the application of
5 this subsection.”.

6 (b) INFORMATION REPORTING.—

7 (1) IN GENERAL.—Subpart A of part III of
8 subchapter A of chapter 61 of such Code is amended
9 by inserting after section 6034A the following new
10 section:

11 "SEC. 6035. BASIS INFORMATION TO PERSONS ACQUIRING
12 PROPERTY FROM DECEDENT OR BY GIFT.

13 "(a) INFORMATION WITH RESPECT TO PROPERTY
14 ACQUIRED FROM DECEDEENTS.—

15 “(1) IN GENERAL.—The executor of any estate
16 required to file a return under section 6018(a) shall
17 furnish to the Secretary and to each person acquir-
18 ing any interest in property included in the dece-
19 dent’s gross estate for Federal estate tax purposes
20 a statement identifying the value of each interest in
21 such property as reported on such return and such
22 other information with respect to such interest as
23 the Secretary may prescribe.

24 “(2) STATEMENTS BY BENEFICIARIES.—Each
25 person required to file a return under section

1 6018(b) shall furnish to the Secretary and to each
2 other person who holds a legal or beneficial interest
3 in the property to which such return relates a state-
4 ment identifying the information described in para-
5 graph (1).

6 “(3) TIME FOR FURNISHING STATEMENT.—

7 “(A) IN GENERAL.—Each statement re-
8 quired to be furnished under paragraph (1) or
9 (2) shall be furnished at such time as the Sec-
10 retary may prescribe, but in no case at a time
11 later than the earlier of—

12 “(i) the date which is 30 days after
13 the date on which the return under section
14 6018 was required to be filed (including
15 extensions, if any), or

16 “(ii) the date which is 30 days after
17 the date such return is filed.

18 “(B) ADJUSTMENTS.—In any case in
19 which there is an adjustment to the information
20 required to be included on a statement filed
21 under paragraph (1) or (2) after such state-
22 ment has been filed, a supplemental statement
23 under such paragraph shall be filed not later
24 than the date which is 30 days after such ad-
25 justment is made.

1 “(b) INFORMATION WITH RESPECT TO PROPERTY
2 ACQUIRED BY GIFT.—

3 “(1) IN GENERAL.—Each person making a
4 transfer by gift who is required to file a return
5 under section 6019 with respect to such transfer
6 shall furnish to the Secretary and to each person ac-
7 quiring any interest in property by reason of such
8 transfer a statement identifying the value of each in-
9 terest in such property as reported on such return
10 and such other information with respect to such in-
11 terest as the Secretary may prescribe.

12 “(2) TIME FOR FURNISHING STATEMENT.—

13 “(A) IN GENERAL.—Each statement re-
14 quired to be furnished under paragraph (1)
15 shall be furnished at such time as the Secretary
16 may prescribe, but in no case at a time later
17 than the earlier of—

18 “(i) the date which is 30 days after
19 the date on which the return under section
20 6019 was required to be filed (including
21 extensions, if any), or

22 “(ii) the date which is 30 days after
23 the date such return is filed.

24 “(B) ADJUSTMENTS.—In any case in
25 which there is an adjustment to the information

1 required to be included on a statement filed
2 under paragraph (1) after such statement has
3 been filed, a supplemental statement under
4 such paragraph shall be filed not later than the
5 date which is 30 days after such adjustment is
6 made.

7 “(c) REGULATIONS.—The Secretary shall prescribe
8 such regulations as necessary to carry out this section, in-
9 cluding regulations relating to—

10 “(1) the application of this section to property
11 with regard to which no estate or gift tax return is
12 required to be filed, and

13 “(2) situations in which the surviving joint ten-
14 ant or other recipient may have better information
15 than the executor regarding the basis or fair market
16 value of the property.”.

17 (2) PENALTY FOR FAILURE TO FILE.—

18 (A) RETURN.—Section 6724(d)(1) of such
19 Code is amended by striking “and” at the end
20 of subparagraph (B), by striking the period at
21 the end of subparagraph (C) and inserting “,
22 and”, and by inserting after subparagraph (C)
23 the following new subparagraph:

24 “(D) any statement required to be filed
25 with the Secretary under section 6035.”.

(B) STATEMENT.—Section 6724(d)(2) of such Code is amended by striking “or” at the end of subparagraph (GG), by striking the period at the end of subparagraph (HH) and inserting “, or”, and by inserting after subparagraph (HH) the following new subparagraph:

“Sec. 6035. Basis information to persons acquiring property from decedent or by gift.”.

14 (c) PENALTY FOR INCONSISTENT REPORTING.—

18 “(8) Any inconsistent estate or gift basis.”.

“(k) INCONSISTENT ESTATE OR GIFT BASIS RE-
PORTING.—For purposes of this section, the term ‘incon-

- 1 sistent estate or gift basis' means the portion of the under-
- 2 statement which is attributable to—

3 “(1) in the case of property acquired from a de-
4 cedent, a basis determination with respect to such
5 property which is not consistent with the value of
6 such property as determined under section 1014(f),
7 and

8 “(2) in the case of property acquired by gift, a
9 basis determination with respect to such property
10 which is not consistent with the value of such prop-
11 erty as determined under section 1015(f).”.

12 (d) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to transfers for which returns are
14 filed after the date of the enactment of this Act.

15 SEC. 6. VALUATION RULES FOR CERTAIN TRANSFERS OF
16 NONBUSINESS ASSETS; LIMITATION ON MI-
17 NORITY DISCOUNTS.

18 (a) IN GENERAL.—Section 2031 of the Internal Rev-
19 enue Code of 1986 is amended by redesignating subsection
20 (d) as subsection (f) and by inserting after subsection (c)
21 the following new subsections:

22 “(d) VALUATION RULES FOR CERTAIN TRANSFERS
23 OF NONBUSINESS ASSETS.—For purposes of this chapter
24 and chapter 12—

1 “(1) IN GENERAL.—In the case of the transfer
2 of any interest in an entity other than an interest
3 which is actively traded (within the meaning of sec-
4 tion 1092)—

5 “(A) the value of any nonbusiness assets
6 held by the entity with respect to such interest
7 shall be determined as if the transferor had
8 transferred such assets directly to the trans-
9 feree (and no valuation discount shall be al-
10 lowed with respect to such nonbusiness assets),
11 and

12 “(B) such nonbusiness assets shall not be
13 taken into account in determining the value of
14 the interest in the entity.

15 “(2) NONBUSINESS ASSETS.—For purposes of
16 this subsection—

17 “(A) IN GENERAL.—The term ‘nonbusi-
18 ness asset’ means any asset which is not used
19 in the active conduct of 1 or more trades or
20 businesses.

21 “(B) EXCEPTION FOR CERTAIN PASSIVE
22 ASSETS.—Except as provided in subparagraph
23 (C), a passive asset shall not be treated for pur-
24 poses of subparagraph (A) as used in the active
25 conduct of a trade or business unless—

1 “(i) the asset is property described in
2 paragraph (1) or (4) of section 1221(a) or
3 is a hedge with respect to such property,

4 or

5 “(ii) the asset is real property used in
6 the active conduct of 1 or more real prop-
7 erty trades or businesses (within the mean-
8 ing of section 469(c)(7)(C)) in which the
9 transferor materially participates and with
10 respect to which the transferor meets the
11 requirements of section 469(c)(7)(B)(ii).

12 For purposes of clause (ii), material participa-
13 tion shall be determined under the rules of sec-
14 tion 469(h), except that section 469(h)(3) shall
15 be applied without regard to the limitation to
16 farming activity.

17 “(C) EXCEPTION FOR WORKING CAP-
18 ITAL.—Any asset (including a passive asset)
19 which is held as a part of the reasonably re-
20 quired working capital needs of a trade or busi-
21 ness shall be treated as used in the active con-
22 duct of a trade or business.

23 “(3) PASSIVE ASSET.—For purposes of this
24 subsection, the term ‘passive asset’ means any—

25 “(A) cash or cash equivalents,

1 “(B) except to the extent provided by the
2 Secretary, stock in a corporation or any other
3 equity, profits, or capital interest in any entity,

4 “(C) evidence of indebtedness, option, for-
5 ward or futures contract, notional principal con-
6 tract, or derivative,

7 “(D) asset described in clause (iii), (iv), or
8 (v) of section 351(e)(1)(B),

9 “(E) annuity,

10 “(F) real property used in 1 or more real
11 property trades or businesses (as defined in sec-
12 tion 469(c)(7)(C)),

13 “(G) asset (other than a patent, trade-
14 mark, or copyright) which produces royalty in-
15 come,

16 “(H) commodity,

17 “(I) collectible (within the meaning of sec-
18 tion 401(m)), or

19 “(J) any other asset specified in regula-
20 tions prescribed by the Secretary.

21 “(4) LOOK-THRU RULES.—

22 “(A) IN GENERAL.—If a nonbusiness asset
23 of an entity consists of a 10-percent interest in
24 any other entity, this subsection shall be ap-
25 plied by disregarding the 10-percent interest

1 and by treating the entity as holding directly its
2 ratable share of the assets of the other entity.
3 This subparagraph shall be applied successively
4 to any 10-percent interest of such other entity
5 in any other entity.

6 “(B) 10-PERCENT INTEREST.—The term
7 ‘10-percent interest’ means—

8 “(i) in the case of an interest in a cor-
9 poration, ownership of at least 10 percent
10 (by vote or value) of the stock in such cor-
11 poration,

12 “(ii) in the case of an interest in a
13 partnership, ownership of at least 10 per-
14 cent of the capital or profits interest in the
15 partnership, and

16 “(iii) in any other case, ownership of
17 at least 10 percent of the beneficial inter-
18 ests in the entity.

19 “(5) COORDINATION WITH SUBSECTION (b).—
20 Subsection (b) shall apply after the application of
21 this subsection.

22 “(e) LIMITATION ON MINORITY DISCOUNTS.—For
23 purposes of this chapter and chapter 12, in the case of
24 the transfer of any interest in an entity other than an in-
25 terest which is actively traded (within the meaning of sec-

1 tion 1092), no discount shall be allowed by reason of the
2 fact that the transferee does not have control of such enti-
3 ty if the transferor, the transferee, and members of the
4 family (as defined in section 2032A(e)(2)) of the trans-
5 feror and transferee—

6 "(1) have control of such entity, or

7 “(2) own the majority of the ownership inter-
8 ests (by value) in such entity.”.

9 (b) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to transfers after the date of the
11 enactment of this Act.

12 SEC. 7. REQUIRED MINIMUM 10-YEAR TERM, ETC., FOR
13 GRANTOR RETAINED ANNUITY TRUSTS.

14 (a) IN GENERAL.—Section 2702(b) of the Internal
15 Revenue Code of 1986 is amended—

16 (1) by redesignating paragraphs (1), (2), and
17 (3) as subparagraphs (A), (B), and (C), respectively,
18 and by moving such subparagraphs (as so redesign-
19 ated) 2 ems to the right;

20 (2) by striking “For purposes of” and inserting
21 the following:

22 “(1) IN GENERAL.—For purposes of”;

1 (4) by adding at the end the following new
2 paragraph:

3 “(2) ADDITIONAL REQUIREMENTS WITH RE-
4 SPECT TO GRANTOR RETAINED ANNUITIES.—For
5 purposes of subsection (a), in the case of an interest
6 described in paragraph (1)(A) (determined without
7 regard to this paragraph) which is retained by the
8 transferor, such interest shall be treated as de-
9 scribed in such paragraph only if—

10 “(A) the right to receive the fixed amounts
11 referred to in such paragraph is for a term of
12 not less than 10 years,

13 “(B) such fixed amounts, when determined
14 on an annual basis, do not decrease relative to
15 any prior year during the first 10 years of the
16 term referred to in subparagraph (A), and

17 “(C) the remainder interest has a value
18 equal to or greater than 10 percent of the value
19 of the assets transferred to the trust, deter-
20 mined as of the time of the transfer.”.

21 (b) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to transfers made after the date
23 of the enactment of this Act.

1 **SEC. 8. CERTAIN TRANSFER TAX RULES APPLICABLE TO**
2 **GRANTOR TRUSTS.**

3 (a) IN GENERAL.—Subtitle B of the Internal Rev-
4 enue Code of 1986 is amended by adding at the end the
5 following new chapter:

6 **“CHAPTER 16—SPECIAL RULES FOR**
7 **GRANTOR TRUSTS**

“Sec. 2901. Application of transfer taxes.

8 **“SEC. 2901. APPLICATION OF TRANSFER TAXES.**

9 “(a) IN GENERAL.—In the case of any portion of a
10 trust to which this section applies—

11 “(1) the value of the gross estate of the de-
12 ceased deemed owner of such portion shall include
13 all assets attributable to that portion at the time of
14 the death of such owner,

15 “(2) any distribution from such portion to one
16 or more beneficiaries during the life of the deemed
17 owner of such portion shall be treated as a transfer
18 by gift for purposes of chapter 12, and

19 “(3) if at any time during the life of the
20 deemed owner of such portion, such owner ceases to
21 be treated as the owner of such portion under sub-
22 part E of part 1 of subchapter J of chapter 1, all
23 assets attributable to such portion at such time shall
24 be treated for purposes of chapter 12 as a transfer
25 by gift made by the deemed owner.

1 “(b) PORTION OF TRUST TO WHICH SECTION AP-
2 PLIES.—This section shall apply to—

3 “(1) the portion of a trust with respect to
4 which the grantor is the deemed owner, and

5 “(2) the portion of the trust to which a person
6 who is not the grantor is a deemed owner by reason
7 of the rules of subpart E of part 1 of subchapter J
8 of chapter 1, and such deemed owner engages in a
9 sale, exchange, or comparable transaction with the
10 trust that is disregarded for purposes of subtitle A.

11 For purposes of paragraph (2), the portion of the trust
12 described with respect to a transaction is the portion of
13 the trust attributable to the property received by the trust
14 in such transaction, including all retained income there-
15 from, appreciation thereon, and reinvestments thereof, net
16 of the amount of consideration received by the deemed
17 owner in such transaction.

18 “(c) EXCEPTIONS.—This section shall not apply to—

19 “(1) any trust that is includible in the gross es-
20 tate of the deemed owner (without regard to sub-
21 section (a)(1)), and

22 “(2) any other type of trust that the Secretary
23 determines by regulations or other guidance does not
24 have as a significant purpose the avoidance of trans-
25 fer taxes.

1 “(d) DEEMED OWNER DEFINED.—For purposes of
2 this section, the term ‘deemed owner’ means any person
3 who is treated as the owner of a portion of a trust under
4 subpart E of part 1 of subchapter J of chapter 1.

5 “(e) REDUCTION FOR TAXABLE GIFTS TO TRUST
6 MADE BY OWNER.—The amount to which subsection (a)
7 applies shall be reduced by the value of any transfer by
8 gift by the deemed owner to the trust previously taken
9 into account by the deemed owner under chapter 12.

10 “(f) LIABILITY FOR PAYMENT OF TAX.—Any tax im-
11 posed pursuant to subsection (a) shall be a liability of the
12 trust.”.

13 (b) CLERICAL AMENDMENT.—The table of chapters
14 for subtitle B of such Code is amended by adding at the
15 end the following new item:

“CHAPTER 16. SPECIAL RULES FOR GRANTOR TRUSTS”.

16 (c) EFFECTIVE DATE.—The amendments made by
17 this section shall apply—

18 (1) to trusts created on or after the date of the
19 enactment of this Act,

20 (2) to any portion of a trust established before
21 the date of the enactment of this Act which is attrib-
22 utable to a contribution made on or after such date,
23 and

24 (3) to any portion of a trust established before
25 the date of the enactment of this Act to which sec-

1 tion 2901(a) of the Internal Revenue Code of 1986
2 (as added by subsection (a)) applies by reason of a
3 transaction described in section 2901(b)(2) of such
4 Code on or after such date.

5 SEC. 9. ELIMINATION OF GENERATION-SKIPPING TRANS-
6 FER TAX EXEMPTION FOR CERTAIN TRUSTS.

7 (a) IN GENERAL.—Section 2642 of the Internal Rev-
8 enue Code of 1986 is amended by adding at the end the
9 following new subsection:

10 "(h) ELIMINATION OF GST EXEMPTION FOR CER-
11 TAIN TRUSTS.—

12 “(1) IN GENERAL.—

13 “(A) TRANSFERS FROM NON-QUALIFYING
14 TRUSTS.—In the case of any generation-skip-
15 ping transfer made from a trust that is not a
16 qualifying trust, the inclusion ratio with respect
17 to any property transferred in such transfer
18 shall be 1.

24 “(2) TRUSTS CREATED BEFORE DATE OF EN-
25 ACTMENT.—In the case of any trust created before

1 the date of the enactment of this subsection, such
2 trust shall be deemed to be a qualifying trust for a
3 period of 50 years after the date of the enactment
4 of this subsection.

5 “(3) DATE OF CREATION OF CERTAIN DEEMED
6 SEPARATE TRUSTS.—In the case of any portion of a
7 trust which is treated as a separate trust under sec-
8 tion 2654(b)(1), such separate trust shall be treated
9 as created on the date of the first transfer described
10 in such section with respect to such separate trust.

11 “(4) DATE OF CREATION OF POUR-OVER
12 TRUSTS.—In the case of any generation-skipping
13 transfer of property which involves the transfer of
14 property from 1 trust to another trust, the date of
15 the creation of the transferee trust shall be treated
16 as being the earlier of—

17 “(A) the date of the creation of such trans-
18 feree trust, or

19 “(B) the date of the creation of the trans-
20 feror trust.

21 In the case of multiple transfers to which the
22 preceding sentence applies, the date of the cre-
23 ation of the transferor trust shall be determined
24 under the preceding sentence before the appli-

1 cation of the preceding sentence to determine
2 the date of the creation of the transferee trust.

3 “(5) REGULATIONS.—The Secretary may pre-
4 scribe such regulations or other guidance as may be
5 necessary or appropriate to carry out this sub-
6 section.”.

7 (b) EFFECTIVE DATE.—The amendments made by
8 this section shall take effect on the date of the enactment
9 of this Act.

10 **SEC. 10. SIMPLIFYING GIFT TAX EXCLUSION FOR ANNUAL
11 GIFTS.**

12 (a) IN GENERAL.—Section 2503(b)(1) of the Internal
13 Revenue Code of 1986 is amended to read as follows:

14 “(1) IN GENERAL.—

15 “(A) LIMIT PER DONEE.—In the case of
16 gifts made to any person by the donor during
17 the calendar year, the first \$10,000 of such
18 gifts to such person shall not, for purposes of
19 subsection (a), be included in the total amount
20 of gifts made during such year.

21 “(B) CUMULATIVE LIMIT PER DONOR.—

22 “(i) IN GENERAL.—The aggregate
23 amount excluded under subparagraph (A)
24 with respect to all transfers described in
25 clause (ii) made by the donor during the

1 calendar year shall not exceed twice the
2 dollar amount in effect under such sub-
3 paragraph for such calendar year.

4 “(ii) TRANSFERS SUBJECT TO LIMITA-
5 TION.—The transfers described in this
6 clause are—

7 “(I) a transfer in trust,
8 “(II) a transfer of an interest in
9 a passthrough entity,
10 “(III) a transfer of an interest
11 subject to a prohibition on sale, and
12 “(IV) any other transfer of prop-
13 erty that, without regard to with-
14 drawal, put, or other such rights in
15 the donee, cannot immediately be liq-
16 uidated by the donee.”.

17 (b) CONFORMING AMENDMENT.—Section 2503 of the
18 Internal Revenue Code of 1986 is amended by striking
19 subsection (c).

20 (c) REGULATIONS.—The Secretary of the Treasury,
21 or the Secretary of the Treasury’s delegate, may prescribe
22 such regulations or other guidance as may be necessary
23 or appropriate to carry out the amendments made by this
24 section.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to any calendar year beginning
3 after the date of the enactment of this Act.

